



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

June 14, 1984

SUBJECT: Commodity Prices to be Used for
Calculating EM Production Loss Loans

TO: All State Directors

It has been brought to our attention that some States are not using the correct commodity prices for calculating production losses when determining emergency (EM) loan eligibility and maximum amount of EM loss loan.

FmHA Instruction 1945-D section 1945.163 (a)(2)(iii) specifies that "commodity prices will be established by averaging the monthly market prices for each commodity for the 12 month period preceding the calendar year in which the disaster occurs. The monthly average market prices will be provided by the USDA State Crop and Livestock Reporting Service, or similar State or Federal Agency or body. Once established, these prices will not be changed for any EM actual production loss loan processed under any disaster occurring on or after February 1 of that calendar year through January 31 of the next calendar year."

We have reconfirmed, with the USDA-Statistical Reporting Service (SRS), that the monthly average commodity prices are available one month after the end of the month for which the prices are being released, i.e., November's average prices are available by January 2 and December's average prices are available by February 1, etc. These are each month's average prices, not the marketing year's weighted average prices. The 12 months' average prices for each commodity are added and the sum divided by 12 to arrive at the correct price required in the cited 1945-D Instruction.

Evidently, the Farmer Programs staff member(s), who requested the prices from the State Crop and Livestock Reporting Service, may not have asked for the correct information, or the information provided by the State Agency was not correct for our purposes, and FmHA staff members did not recognize the difference.

Under the circumstances, you are instructed to recontact your State Crop and Livestock Reporting Service and request the correct information for establishing commodity prices for the period February 1, 1984 through January 31, 1985. If you confirm that the commodity price list issued in your State Supplement is correct, as prescribed, no further action on your part is necessary. However, if you confirm that the commodity price list issued in your State Supplement is not correct, you must promptly reissue the corrected Supplement, listing the proper commodity prices. The new price list

EXPIRATION DATE: JUNE 30, 1985

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1945-D

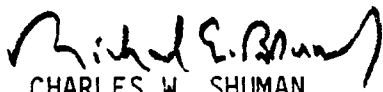


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will be effective immediately upon receipt in the county office for all EM production loss loan calculations on applications where loans have not yet been approved. EM loss loans that have been approved prior to receipt of the corrected commodity price list do not have to be refigured. A copy of each corrected State Supplement will be forwarded to the National Office, as provided in FmHA Instruction 2006-B.

Farmer Programs staff members, who are responsible for obtaining and setting correct commodity prices, will in future years ascertain that proper commodity prices are used in the State Supplement issued by February 15 of each year.


for CHARLES W. SHUMAN
Administrator

Sent by electronic mail on June 14, 1984 at 1:59 pm by DASD(IMPS).
No further distribution of this AN is necessary.